

ALUMINUM COMPANY OF CANADA, LIMITED
AND SUBSIDIARY COMPANIES



1963

FINANCIAL STATEMENTS

11/
Annual Report

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ALUMINUM COMPANY OF CANADA, LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet

31st December 1963

ASSETS

	1963	1962
Current Assets:		
Cash.....	\$ 15,820,145	\$ 15,072,792
Receivables.....	22,429,849	18,568,240
Receivable from affiliated companies.....	91,433,785	95,981,052
Inventories of aluminum, materials and supplies (note 2).....	115,726,270	123,870,092
	<u>245,410,049</u>	<u>253,492,176</u>
Deferred receivables.....	7,847,403	7,372,653
Prepaid expense and deferred charges.....	8,008,367	6,807,495
Investments in and advances to affiliated companies.....	2,745,184	2,282,943
Lands, plants, riparian rights, and facilities, at cost (note 3).....	1,335,219,236	1,314,506,065
Less: Accumulated depreciation and depletion (note 4).....	588,704,882	544,870,089
	<u>746,514,354</u>	<u>769,635,976</u>
	<u><u>\$1,010,525,357</u></u>	<u><u>\$1,039,591,243</u></u>

ALUMINUM COMPANY OF CANADA, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet

31st December 1963

LIABILITIES

	1963	1962
Current Liabilities:		
Payables.....	\$ 35,258,388	\$ 37,121,083
Payable to affiliated companies.....	4,022,575	6,581,562
Income and other taxes.....	12,583,637	18,390,564
Other debt payable within one year (note 5).....	1,657,438	7,196,200
	<u>53,522,038</u>	<u>69,289,409</u>
Debt not maturing within one year (note 5).....	483,110,177	503,147,302
Reserve for future income taxes (note 4).....	123,619,856	121,885,402
Capital Stock and Surplus:		
Cumulative redeemable sinking fund preferred shares:		
4% first preferred — par \$25 — 371,323 shares outstanding (390,115 shares at 31st December 1962).....	9,283,075	9,752,875
4½% second preferred — par \$50 — 1,064,710 shares outstanding (1,097,856 shares at 31st December 1962).....	53,235,500	54,892,800
Common shares — without nominal or par value:		
8,800,000 shares outstanding.....	100,000,000	100,000,000
Earned surplus (note 6).....	187,754,711	180,623,455
	<u>350,273,286</u>	<u>345,269,130</u>
	<u>\$1,010,525,357</u>	<u>\$1,039,591,243</u>

Signed on behalf of the Board,

FRASER W. BRUCE, *Director*

DANA T. BARTHOLOMEW, *Director*

ALUMINUM COMPANY OF CANADA, LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Statement of Income

For the Year Ending 31st December 1963

	1963	1962
Sales and Revenues:		
Sales.....	\$371,810,611	\$338,740,765*
Operating revenues (transportation services, power sales, etc.).....	43,451,233	37,925,053
Other income (note 7).....	1,098,074	5,760,148
	<u>416,359,918</u>	<u>382,425,966</u>
Costs and Expenses:		
Cost of sales and operating expenses.....	279,447,211	238,148,936*
Provision for depreciation and depletion (note 4).....	46,452,173	47,686,622
Selling, research and administrative expenses.....	30,101,525	27,307,175
Interest on debt not maturing within one year.....	22,409,109	22,124,404
Exchange loss on redemption of debt.....	1,338,514	533,996
	<u>379,748,532</u>	<u>335,801,133</u>
Income before income taxes.....	36,611,386	46,624,833
Provision for current income taxes.....	12,966,385	21,898,832
Reserve for future income taxes (note 4).....	1,734,454	(2,437,150)
	<u>14,700,839</u>	<u>19,461,682</u>
Net income.....	<u>\$ 21,910,547</u>	<u>\$ 27,163,151</u>

*After adding \$9.1 million inadvertently eliminated in consolidation from both sales and cost of sales as previously reported.

ALUMINUM COMPANY OF CANADA, LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Earned Surplus

For the Year Ending 31st December 1963

Earned Surplus — 31st December 1962.....		\$180,623,455
Net income for the year.....		21,910,547
		<u>202,534,002</u>
Dividends:		
4% First preferred.....	\$ 375,521	
4½% Second preferred.....	2,403,770	
Common.....	12,000,000	14,779,291
Earned surplus — 31st December 1963 (note 6).....		<u>\$187,754,711</u>

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALUMINUM COMPANY OF CANADA, LIMITED:

We have examined the consolidated balance sheet of Aluminum Company of Canada, Limited and subsidiary companies as at 31st December 1963 and the related consolidated statements of income and earned surplus for the year then ended and have obtained all the information and explanations which we have required. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related consolidated statements of income and earned surplus, supplemented by the notes thereto, are properly drawn up so as to exhibit a true and correct view of the combined state of affairs of Aluminum Company of Canada, Limited and subsidiary companies as at 31st December 1963 and the results of their combined operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pricewaterhouse & Co.

Montreal, 2nd March 1964.

Chartered Accountants.

ALUMINUM COMPANY OF CANADA, LIMITED

AND SUBSIDIARY COMPANIES

Notes to Financial Statements

1. Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries comprising Alcan Design Homes Limited; Alcan Jamaica Limited; Chaguaramas Terminals Limited; Demerara Bauxite Company, Limited; Kitimat Terminals Limited; Newfoundland Fluorspar Limited; Roslyn Metal Products Limited; Saguenay-Kitimat Company; Saguenay Shipping Limited; Saguenay Shipping (U.K.) Limited; Saguenay Terminals Limited and The Roberval and Saguenay Railway Company.

All intercompany items and transactions, including profits in inventories, have been eliminated.

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange current at 31st December 1963, except that (a) certain bank balances, inventories, investments and fixed assets with related reserves are at rates determined at dates of acquisition, and (b) debts not maturing within one year are at rates current at dates of original borrowing except that the first mortgage 3½% sinking fund bonds, due 1974, payable in United States currency, are stated on a dollar for dollar basis.

2. Inventories of Aluminum, Materials and Supplies:

Inventories, as summarized below, are stated at lower of cost or market.

	1963	1962
Aluminum.....	\$ 39,688,617	\$ 56,675,718
Raw materials.....	60,458,009	60,009,921
Supplies.....	16,957,518	15,912,453
	<u>117,104,144</u>	<u>132,598,092</u>
Deductions for advance payments from customers against aluminum held for future delivery.....	1,377,874	8,728,000
	<u>\$ 115,726,270</u>	<u>\$ 123,870,092</u>

3. Lands, Plants, Riparian Rights, and Facilities, at Cost:

	1963	1962
Land and water rights.....	\$ 34,190,234	\$ 34,200,603
Mineral properties, rights and development.....	11,677,281	11,193,944
Buildings, machinery and equipment.....	1,234,228,609	1,205,726,040
Uncompleted facilities.....	31,791,364	46,894,613
	<u>1,311,887,488</u>	<u>1,298,015,200</u>
Construction work in progress.....	23,331,748	16,490,865
	<u>\$1,335,219,236</u>	<u>\$1,314,506,065</u>

The expenditure for uncompleted facilities represents the cost of certain smelter facilities in British Columbia the construction of which was suspended in 1957. Construction was subsequently resumed at a slow pace and during 1963 the work on some of these facilities was accelerated in preparation for operation early in 1964. In recognition of the degree of their completion at the year-end the appropriate expenditure was transferred to construction work in progress.

Capital projects envisaged for the next few years are expected to involve the expenditure of some \$35 million during 1964.

4. Depreciation Policy and Reserve for Future Income Taxes:

With minor exceptions, depreciation recorded in the accounts is calculated on a straight-line basis in respect of all completed facilities and the smelter facilities in British Columbia referred to in Note 3.

Income tax regulations in Canada, and in certain other countries, permit the use (for the purpose of determining income taxes) of various forms of capital cost allowances which do not coincide with the amount of depreciation recorded in the accounts. These allowances generally exceed straight-line depreciation during the early life of new assets and later fall short of it.

When capital cost allowances utilized for determining income taxes exceed straight-line depreciation, an amount equivalent to the resultant reduction in current income taxes is charged to income and credited to Reserve for Future Income Taxes. When these allowances so utilized fall short of straight-line depreciation, resulting in higher current income taxes than would otherwise be payable, an appropriate portion of the reserve is transferred back to income.

5. Debt not maturing within one year:	1963	1962
Aluminum Company of Canada, Limited:		
Revolving credit loans from banks, under U.S. \$60,000,000 credit agreement, convertible at the Company's option on or before maturity (1st May 1966) into term loans repayable in five equal consecutive annual installments beginning one year from date of conversion (U.S. \$35,000,000).....	\$ 35,490,903	\$ 37,518,955
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A".....	4,132,000	4,334,000
Series "B" (U.S. \$8,478,000).....	8,478,000	9,478,000
Commutation value of contractual obligation for annual payments secured by second hypothec — payable in Canadian currency and in U.S. currency in equal parts...	6,225,000	6,525,000
3½% Sinking fund debentures, due 1971.....	28,446,000	29,964,000
3½% Sinking fund debentures, due 1970 (U.S. \$41,390,000).....	40,730,347	51,353,302
4½% Sinking fund debentures, due 1973.....	36,145,000	38,550,000
4½% Sinking fund debentures, due 1980 (U.S. \$99,992,000).....	96,769,618	103,721,136
5.10% Notes, due 1968/1992 (U.S. \$100,000,000).....	97,586,489	97,586,489
Redeemable notes — payable to the U.K. Government — interest and \$47,973,750 of principal abatable in certain circumstances as provided in the contracts under which they were issued:		
3% Notes, due 1971.....	54,950,000	54,950,000
3½% Notes, due 1971.....	24,975,000	24,975,000
3½% Notes, due 1974.....	40,000,000	40,000,000
Alcan Jamaica Limited:		
Bank loans, due 1965 (£4,000,000).....	10,815,620	10,815,620
	484,743,977	509,771,502
Less: Debt payable within one year included in current liabilities (equivalent to \$1,657,438 at year-end rates of exchange).....	1,633,800	6,624,200
	<u>\$483,110,177</u>	<u>\$503,147,302</u>

Allowing for payments already made, sinking fund requirements over the next five years against the above debt, other than bank loans, amount to approximately \$1.6 million in 1964, (\$16.0 million previously redeemed), \$15.6 million in 1965, \$17.8 million in 1966, \$18.3 million in 1967 and \$20.3 million in 1968.

6. Dividend Restrictions:

Pursuant to the provisions of certain debt issues, approximately \$133 million of earned surplus at 31st December 1963 is not available for payment of cash dividends on the common stock.

Earned surplus at 31st December 1963 also includes \$12.5 million, representing the par value of the Company's preferred shares purchased for cancellation since 1946 (\$2.1 million in 1963), which, under the requirements of the Companies Act of Canada, has been designated as capital surplus and is not available for the payment of dividends on the common stock unless certain formalities are observed.

7. Other Income:

	1963	1962
Cancellation fee.....	\$ —	\$5,320,642
Gain on disposal of fixed assets.....	(45,965)	305,369
Income from investments.....	708,034	425,026
Financing expenses.....	—	(362,090)
Other.....	436,005	71,201
	<u>\$1,098,074</u>	<u>\$5,760,148</u>

8. Commitments:

A consolidated subsidiary company, Saguenay Shipping Limited has charter hire commitments amounting to \$11.0 million in 1964 (\$18.9 million paid in 1963), \$8.6 million in 1965, \$5.2 million in 1966, \$3.1 million in 1967, \$3.0 million in 1968, \$2.7 million in 1969 and lesser amounts up to 1976.

The Company has undertaken to make certain purchases of aluminum products annually until 1973 from two U.S. affiliated companies. Under certain exceptional circumstances the Company could be required to advance to these companies up to an estimated aggregate amount of U.S. \$4.3 million in 1964 and lesser amounts through 1972 without obtaining an equivalent value in aluminum products.

See also reference to capital expenditure program in note 3.

9. Statutory Information (parent and subsidiaries):

Executive salaries for the year 1963 were \$732,586, legal fees \$113,608, Canadian income taxes \$3,408,966.

ALUMINUM COMPANY OF CANADA, LIMITED
MONTREAL, QUE., CANADA

DIRECTORS

DANA T. BARTHOLOMEW
President, Aluminium Securities Limited

FRASER W. BRUCE
President of the Company

DAVID M. CULVER
President, Alcan International Limited

HOLBROOK R. DAVIS
President, Aluminium Fiduciaries Limited

NATHANAEL V. DAVIS
President, Aluminium Limited

J. F. EVANS
President, Aluminium Secretariat Limited

PAUL LaROQUE
Secretary, Aluminium Limited

PAUL LEMAN
Executive Vice President of the Company

R. E. POWELL
Honorary Chairman of the Company

J. ALEX. PRUD'HOMME, Q.C.
Geoffrion & Prud'homme

H. H. RICHARDSON
President, Aluminium Laboratories Limited

M. P. WEIGEL
Director of Operations, Aluminium Limited

OFFICERS

FRASER W. BRUCE, *President*

PAUL LEMAN, *Executive Vice President*

J. ALEX. PRUD'HOMME, Q.C., *Vice President*

E. H. EBERTS, *Vice President and Secretary*

CLAUDE P. BEAUBIEN, *Vice President — Public Relations and Advertising*

J. W. CAMERON, *Vice President — Smelters*

N. S. CRERAR, *Vice President — Power*

D. H. FERGUSON, *Vice President — Fabricating*

J. J. GAGNON, *Vice President — Personnel*

R. T. HYLAND, *Vice President — Canadian Sales*

J. S. WOODS, *Vice President — Export Sales*

R. J. MOYSE, *Treasurer*